

Message Text

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20

ACTION EUR-25

INFO OCT-01 NEA-14 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

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R 081002Z MAY 74

FM AMCONSUL FRANKFURT

TO SECSTATE WASHDC 7096

INFO AMEMBASSY BONN

US MISSION BERLIN 450

AMCONSUL BREMEN

AMCONSUL DUESSELDORF

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

AMCONSUL AMSTERDAM

AMCONSUL ANTWERP

AMEMBASSY MOSCOW

AMEMBASSY TEL AVIV

UNCLAS FRANKFURT 2927

E.O. 11652: N/A

TAGS: EGEN, GW, NL, BE, UR, IS

SUBJECT: FRANKFURT DIAMOND EXCHANGE SOON TO OPEN

REF: FRANKFURT'S A-51 OF 2/17/72

SUMMARY: THE FRANKFURT DIAMOND EXCHANGE IS OFFICIALLY TO OPEN
ITS MODERN, HIGHLY SECURE FACILITIES IN SEPTEMBER 1974 UNDER
THE DIRECTOR OF DR. JOHANNES M. MILLER. A MEMBERSHIP LIMITED
TO 1000 WILL DEAL ALMOST EXCLUSIVELY WITH "MELEES", 90 PERCENT
OF SOUTH AFRICAN ORIGIN AND 20 PERCENT FROM THE SOVIET UNION.,
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MANAGING DIRECTOR: DR. JOHANNES MILLR, NEWLY APPOINTED
MANAGING DIRECTOR, COMES TO THE FRANKFURT DIAMOND EXCHANGE (FDE)
FROM THE GERMAN JEWELRY INSTITUTE WHERE HE HAD BEEN A DIRECEOTR
FOR THE PAST 10 YEARS. DYNAMIC AND APPEARING MUCH YOUNGER
THAN HIS 46 YEARS, THE SWISS EDUCATED, MULTILINGUAL DR.
MILLER COMES FROM A FAMILY OF JEWELERS, AND HIS
ESTABLISHED REPUTATION AND WORLDWIDE CONTACTS AUGUR
WELL FOR THE FDE.

MEMBERSHIP: THE FDE WILL BE COMPOSD OF 1000 MEMBERS WHO
WILL PAY DM 1.500 ANNUALLY TO BE ON THE EXCHANGE FLOOR. (THE
FLOOR ITSELF WILL BE AN OVERSIZED SHOWROOM PERMITTING SOME
150 DEALERS TO SHOW THEIR WARES SIMULTANEOUSLY.) 150-200
MEMBERS WILL ACTUALLY BE DEALERS, APPROXIMATELY 30 PERCENT
GERMAN, AND 70 PERCENT FOREIGN. OF THE BUYERS 90 PERCENT ARE
EXPECTED TO BE GERMAN AND 10 PERCENT FOREIGN, PRIMARILY DANISH,
SWISS, AUSTRIAN AND AMERICAN.

FACILITIES: THE FDE IS SCHEDULED TO OCCUPY ITS NEW OFFICES
IN DOWNTOWN FRANKFURT DURING JULY 1974. A FORMAL OPENING
IN SEPTEMBER WILL INCLUDE AS SPECIAL INVITEES THE AMBASSADORS
OF THE MAJOR DIAMOND PRODUCING AND CONSUMING COUNTRIES,
INCLUDING THOSE FROM THE U.S. AND THEO SOVIET UNION. THE MODERN
NEW, 12 STORY BULING IS REPUTED THE MOST SECURE IN EUROPE.
HIDDEN CAMERAS PHOTOGRAPH ALL ENTERING AND LEAVING THE PRE-
MISES AND SCAN THE CORRIDORS. A SECURITY SYSTEM
CONNECTED WITH POLICE HEADQUARTERS HAS ALARM BUTTONS
EVERY 1,5 METERS AND A SPECIALLY CONSTRUCTED VAULT WILL BE
SUED TO STORE THE PRECIOUS GEMS. SPECIALLY DESIGNED OFFICE
SPACE WITH SECURITY BOXES WILL BE OCCUPIED BY INTERNATIONAL
DIAMOND FIRMS AND DEALERS WHERE THEY CAN DISPLAY THEIR
STONES AND JEWELRY AND CONDUCT BUSINESS AWAY FROM THE EX-
CHANGE FLOOR. THERE WILL ALSO BE OFFICES AND SHOWROOMS FOR
DIAMOND WORKING AND JEWELERS TOOLS AND OTHER ACCESSORIES OF
THE INDUSTRY. ON THE GROUND FLOOR IS A SHOPPING MALL, FEATURING
BOUTIQUES, HAIR SALOON, CAFES, ETC. A FIRST CLASS CLUB RE-
STAURANT WILL OCCUPY THE 12TH FLOOR.

OPERATIONS: THE EXCHANGE WILL DEAL ALMOST EXCLUSIVELY WITH
"MELEES", 10-15 POINT 1/10 CARAT CUT DIAMONDS. PRICES
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WILL BE COMPARABLE TO THOSE IN THE TEL AVIV AND ANTWERP
MARKETS, I.E. DUE TO COMPETITIVE FACTORS, LESS THAN TYPICAL
WHOLESALE PRICES. SOME 80 PERCENT WILL BE OF SOUTH AFRICAN ORIGIN
AND 20 PERCENT FROM THE SOVIET UNION. FINANCING FOR SALES OF THE
LATTER IS TO BE ARRANGED BY THE OST-WEST HANDELSBANK IN
FRANKFURT, THE SOVIET BANK WHICH IS SHARING THE SAME
PREMISES AS THE FDE AND WHICH RECENTLY HAS ADDED TO
ITS STAFF, TO HANDLE THESE TRANSACTIONS, THREE RUSSIAN

BANKERS EXPERIENCED IN THE DIAMOND INDUSTRY.

RUSSIAN DIAMOND INDUSTRY: DURING THE PAST TEN YEARS THE RUSSIAN DIAMOND INDUSTRY HAS EXPANDED DUE TO NEWLY DEVELOPED DIAMOND MINES IN SIBERIA. DESPITE THE STRENGTHENING OF THEIR POSITION, THE USSR CONTINUES TO MARKET ALL OF ITS UNCUT DIAMONDS THROUGH THE DE BEERS ORGANIZATION. THIS ARRANGEMENT HAS BEEN RECENTLY RENEWED FOR THE ENSUING YEAR, AND IT IS EXPECTED TO AGAIN BE SUSTAINED DURING NEGOTIATIONS IN 1975. THEREAFTER, HOWEVER, IT IS NOT CERTAIN THE RUSSIANS WILL CONTINUE THEIR COLLABORATION WITH THE DE BEERS ORGANIZATION.

RUSSIAN CUT DIAMONDS ARE EXPORTED PRIMARILY TO ANTWERP, STOCKHOLM AND FRANKFURT. DIAMIMPEX GMBH, FRANKFURT (OWNERS JOSEF ORGLER AND ANITA MIKULSKI) ARE ONE OF THE LARGEST IMPORTERS INTO GERMANY, BUT THEY REPORTEDLY DO NOT HAVE AN EXCLUSIVE AGREEMENT WITH THE RUSSIANS. FOR THE PAST FIVE YEARS, RUSSIA HAS BEEN DEVELOPING ITS DIAMOND CUTTING INDUSTRY, WITH THE TWO CENTERS BEING SMOLENSK AND MOSCOW. FOR THE TIME BEING, IT IS NOT EXPECTED THAT THERE WILL BE ANY EFFORTS BY THE RUSSIANS TO AFFECT CURRENT WORLD PRICES. HARLAN

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